

EMERGENCY RECONSTRUCTION SUPPORT PROGRAM FOLLOWING THE EARTHQUAKE OF 13 JANUARY 2001

(ES-0148)

EXECUTIVE SUMMARY

Borrower:	Republic of El Salvador	
Executing agency:	Social Investment Fund for Local Development (FISDL), with support from the Ministry of Agriculture (MAG), Ministry of Environment and Natural Resources (MARN), and the municipalities (see Table 1.1)	
Amount and source:	IDB: OC (IFF)	US\$ 20 million
	Local:	US\$ 5 million
	Total:	US\$ 25 million
Financial terms and conditions:	Amortization period:	25 years
	Grace period	5 years
	Disbursement period:	12 months
	Commitment period:	9 months
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars; under the Single Currency Facility
Objectives:	The program's objective is to contribute to efforts to restore basic priority services to the population affected by the earthquake. Specifically, it will seek to ensure that the social and economic life of the affected population is restored rapidly and efficiently through a set of activities focused on temporary housing, and to protect human lives in the immediate future through a set of preventive and control measures to deal with unstable hillsides.	
Description:	Program resources will be used to remove debris or rent private, unimproved lots with an option to purchase and subsequent temporary housing on these permanent residence sites (approximately 44,000 units), prevention measures to stabilize hillsides in order to ensure the population's safety, and studies to orient the physical and economic recovery of the affected population. The program will also backstop support services for implementation.	

The Bank's country and sector strategy:	When a natural disaster occurs, the Bank supports the efforts of its member countries to respond to the disaster and its socioeconomic and environmental impacts. This program is consistent with the Bank's policy on emergencies arising from natural and unexpected disasters (document GP-92-13) and the Emergency Reconstruction Facility, which provides rapid support following a disaster (document GN-2038-2). Moreover, the program focuses on activities that will have a high impact on the most vulnerable population.
Environmental considerations:	Activities under the proposed operation will comply with national and international environmental standards and specifications for mitigating environmental impacts caused by their execution. Given the nature of this program, no environmental impact assessments will be done (paragraph 5.37).
Benefits:	Support for families affected by the earthquake so that basic living conditions may be restored quickly and efficiently. Near-term improvement in the capacity to protect populations in unstable areas. These activities will have a high impact on the poorest, most vulnerable population. Support for efficiency and transparency in decentralized use of government resources.
Risks:	There are three types of risk for effective and timely execution of the operation. First , the urgency of the operation, particularly in the month following the disaster, may pose problems for accounting and substantiation of eligible expenditures chargeable to the Bank's financing. This risk is mitigated by the fact that FISDL: (i) has financial and operational management capacity; (ii) is presently applying the standard procedures of the National Public Sector Procurement and Contracting Act for temporary housing expenditures; and (iii) within one week of the disaster, submitted proposed operating procedures to the Bank that support effective, decentralized management of materials with respect to local governments and beneficiary families. Second , there is evidence that the country's supply of basic construction materials is being exhausted. Therefore, upcoming purchases for basic housing stock will have to be made abroad, which may involve increased costs and a reduction in the number of temporary housing units financed under this operation. This risk is being mitigated through wholesale purchasing and competitive bidding by FISDL, and by using plastic rather than metal sheeting as the wall material. Third , owing to the complexity of the situation and the rapid pace of project execution, MARN may not be able to guarantee the exhaustiveness or scientific and technical thoroughness of data collection and interpretation, and assessment of danger, risk, and priorities. For those same reasons, MAG may not be able to guarantee the quality of plans, supervision of

protective construction work, and the setup of monitoring and warning systems. To avert this risk, the program will provide resources for contracting qualified consultants.

**Special
contractual
clauses:**

Contractual conditions prior to the first disbursement:

(a) appointment of FISDL employees who will make up the coordinating group for the program, and appointment of the program coordinator and financial advisor (see paragraphs 5.10 and 5.11); (b) signature of the funds transfer agreement with FISDL, whereby FISDL assumes its obligations as the program's executing agency and the conditions under which the borrower will transfer the financing and local counterpart resources to FISDL are established (paragraph 5.12); and (c) hiring of the independent auditing firm to conduct the concurrent and ex post audits called for in the program, in accordance with procedures and terms of reference agreed upon with the Bank in advance (paragraph 5.12).

Contractual conditions for disbursement under Activity I – temporary housing at permanent sites: (a) the FISDL emergency procedures previously agreed with the Bank are to be in force (paragraphs 5.13 and 5.14); and (b) the program participation agreement is to be in force with at least one municipality (paragraph 5.14);

Contractual conditions for disbursement under Activity II – prevention and control measures for unstable hillsides:

(c) submission of the interinstitutional agreement signed between MARN, MAG, and FISDL for execution of this activity (paragraphs 5.16 and 5.17); and (d) contracting of the necessary consulting services to monitor compliance with technical specifications and physical advancement of construction work under this activity (paragraph 5.16).

Pursuant to the policy governing the Emergency Reconstruction Facility (PR-806), a revolving fund will be established in the amount of up to 20% of the program financing (paragraph 5.21).

**Poverty-
targeting and
social sector
classification:**

This operation qualifies as a social equity enhancing program, as described in the indicative targets mandated by the Bank's Eighth General Increase in Resources (document AB-1704). Furthermore, this operation also qualifies as a poverty-targeted investment (see paragraph 5.38).

Procurement: Use of procurement procedures for projects in emergency situations – GS-601 (paragraphs 5.22 and 5.23):

Simplified international competitive bidding procedures will be followed for procurement of consulting services for amounts greater than US\$200,000, construction contracts for amounts greater than US\$1.5 million, and for related goods and services for amounts greater than US\$250,000 (see Table 1.2). These emergency procedures will be applicable during the 12-month period beginning on 14 January 2001, when the emergency was declared.

Pursuant to policy GS-601, direct contracting without competition may be used up to a ceiling of US\$5 million. Such contracting will be subject to the following conditions:

- a. Procurements eligible for reimbursement through retroactive financing are included in the US\$5 million ceiling for direct contracting without competition.
- b. The maximum cumulative amount per company for direct contracting without competition is US\$600,000.
- c. No construction contract may exceed US\$300,000, except in the case of retroactive financing.
- d. For goods and services, no contract awarded without competition may exceed US\$2,500; this restriction does not apply to procurements reimbursed under retroactive financing.
- e. Direct contracting without competition is not permitted for consulting services, except for procurements reimbursed under retroactive financing.
- f. Each month, the municipalities will issue a list of the families benefiting from this program and will post it in a permanent site readily accessible to the public. Each month, FISDL, MAG, and MARN will post on a government web page a report on the contracts awarded using program resources. Notice of this posting will be given in a widely circulated periodical.

Reimbursement of expenditures and retroactive financing Up to US\$15 million in program-eligible expenditures may be reimbursed against the Bank financing (paragraph 5.19).